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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
KSW-PROSE-002

In re Application of: Kenneth S. Wheelock
Serial Number: 09/777,329
Filed: February 5, 2001
Examiner: Janice A. Mooneyham
Group Art Unit: 3629
For: A BUSINESS METHOD FOR RESERVING INTELLECTUAL
PROPERTY RIGHTS IN MATERIALS OR ARTICLES
CLAIMED IN PATENTS

Mail Stop AF
Honorable Commissioner of
Patents and Trademarks
P. O. Box 1450
Alexandria, VA 22313-1450

TRANSMITTAL

Dear Sir:

By notice mailed September 19, 2005 Appellant was advised that the Brief on Appeal mailed May 18, 2005 was non-compliant for failure to comply with the provisions set forth in 37 C.F.R. §41. Submitted herewith are three copies of Appellant's Brief on Appeal and a self-addressed stamped Reply Postcard to acknowledge receipt of the Brief. Appellant is a Pro Se Appellant and has made a *bona fide* attempt to prepare and file a compliant Brief.

CERTIFICATE OF MAILING (37 CFR 1.8a)

I hereby certify that this paper (along with any paper referred to as being attached or enclosed) is being deposited with the United States Postal Service on the date shown below with sufficient postage as first class mail in an envelope addressed to the: Mail Stop AF, Hon. Commissioner of Patents and Trademarks, P. O. Box 1450, Alexandria, VA 22313-1450.

Date: Oct. 18, 2005


Kenneth S. Wheelock



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BRIEF ON APPEAL

Dear Sir:

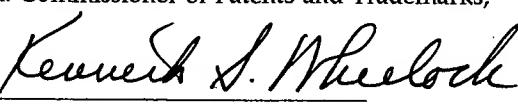
I. INTRODUCTION AND PROCEDURAL POSTURE

By notice mailed September 19, 2005 Appellant was advised that the Brief on Appeal mailed May 18, 2005 was non-compliant for failure to comply with the provisions set forth in 37 C.F.R. §41. Appellant originally filed a Notice of Appeal June 3, 2004. Appellant has since received a Notice of Non-Compliant Brief twice. Each time Appellant has complied with the Notice and made a *bona fide* attempt to correct the issues so Noticed.

CERTIFICATE OF MAILING (37 CFR 1.8a)

I hereby certify that this paper (along with any paper referred to as being attached or enclosed) is being deposited with the United States Postal Service on the date shown below with sufficient postage as first class mail in an envelope addressed to the: Mail Stop AF, Hon. Commissioner of Patents and Trademarks, P. O. Box 1450, Alexandria, VA 22313-1450.

Date: Oct. 18, 2005


Kenneth S. Wheelock

The Office in its September 19, 2005 Notice now requires Appellant's Brief on Appeal to be compliant with 37 C.F.R §41 even though Appellant filed Notice of Appeal June 3, 2004 and the rule requiring compliance with 37 C.F.R §41 was not final until September 13, 2004. Appellant has the right to submit a compliant Brief under the rules as they existed prior to September 13, 2004 or under the rules as they now exist after September 13, 2004. For the purpose of preserving this issue for appeal, Appellant herewith respectfully objects to the imposition of this requirement by the Office as constitutionally defective under the Due Process clause of the Fifth Amendment and in violation of the Constitutional proscription against *ex post facto* legislation as specifically enumerated in Art. 1, Sect. 9 of the U.S. Constitution. In re Harita, 847 F.2d 801, 808, 6 U.S.P.Q.2d 1930, 1934 (Fed. Cir. 1988) *citing Connell v. Sears Roebuck & Co.*, 722 F.2d 1542, 1551, 220 U.S.P.Q. 193, 201 (Fed. Cir. 1983) *discussing changes to 37 C.F.R. §1.56* "we are not at liberty to apply the present standard retroactively."

Should Appellant's Brief be once again be found to be non-compliant, Appellant respectfully thanks the Office for its forbearance and notes that Appellant is a Pro Se Appellant who is not represented by an attorney or agent. In the event the instant Brief is determined to be non-compliant, Appellant respectfully requests that the Examiner comply with provisions of section 1206 of the M.P.E.P. regarding Pro Se Appellants so that Appellant's Brief is compliant:

"An exception to the requirement that all the items specified in 37 CFR 1.192(c) be included in the brief is made if the application or reexamination proceeding is being prosecuted by the appellant *pro se*, i.e., there is no attorney or agent of record, and the brief was neither prepared nor signed by a registered attorney or agent. The brief of a *pro se* appellant which does not contain all of the items, (1) to (9), specified in 37 CFR 1.192(c) will be accepted as long as it substantially complies with the requirements of items (1), (2), and (8). If the brief of a *pro se* appellant is accepted, it will be presumed that all the claims of a rejected group of claims stand or fall together unless an argument is included in the brief that presents reasons as

to why the appellant considers one or more of the claims in the rejected group to be separately patentable from the other claims in the group." M.P.E.P. Sect. 1206 (May 2004).

Nevertheless in an effort to advance the prosecution of this Application without undue delay, Appellant submits herewith within the required thirty (30) day period a *bona fide* attempt to submit a brief compliant with the requirements of 37 C.F.R. §41. Accordingly, editorial changes have been made to this Brief on Appeal consistent with a *bona fide* attempt to place the Brief in compliance.

A. REAL PARTY IN INTEREST

Kenneth S. Wheelock is the real party in interest of the instant appeal.

B. RELATED PROCEEDINGS, APPEALS AND INTERFERENCES

There are no related appeals or interferences known to Appellant at the time of filing the instant Brief on Appeal.

There is however a related proceeding:

PCT/US2002/004589 filed February 4, 2002 claiming priority from U.S. Ser. No. 09/777,329 filed February 5, 2001.

For the convenience of the Honorable Board of Appeals, Appellant notes that the PCT International Preliminary Examination Report under PCT Article 36 and Rule 70 is herewith included in the Related Proceedings Appendix since the claims of originally filed U.S. Ser. No. 09/777,329, claims 1 through 25, and later filed within the convention year as PCT/US2002/004589 are seen to meet and satisfy the requirements of Novelty, Inventive Step and Industrial Applicability under PCT Article (33) (2)-(3):

"Claims 1 - 25 have the criteria set out in PCT Article 33(2) -(3), because the prior art does not teach or fairly suggest the offering the (sic) transfer of patented subject matter while prohibiting the transfer of the patented subject matter in any manner that develops, generates or invents new intellectual property."

C. STATUS OF CLAIMS

Claims 1 and 3 - 28 are pending. All of these pending claims are the subject of the present appeal. The claims all stand or fall together.

D. STATUS OF AMENDMENTS

A preliminary amendment was filed June 4, 2002 and was entered as evidenced by the Examiner's non-final Action mailed March 26, 2003. Responsive to the Examiner's second non-final action mailed September 10, 2003, Appellant submitted an amendment mailed December 9, 2003 which amendment was entered as evidenced by the Examiner's Final Action finally rejecting all the pending claims mailed March 3, 2004. The Notice of Appeal was filed June 3, 2004.

Claim 26 recites inconsistent terms by using the terms lessee and lessor to refer to the terms licensor and licensee elsewhere in the claim. Upon a finding of allowable subject matter Appellant will make an appropriate correction by amendment or by authorizing an amendment by the Examiner.

II. SUMMARY OF CLAIMED SUBJECT MATTER

Generally Appellant's invention is claimed as a method of doing business comprising the transfer of patented goods while prohibiting the subsequent use of the

transferred patented goods in any manner that develops, generates or invents new intellectual property by some form of restriction on use.

Claims 1, 13, 25, 26, 27 and 28 are independent claims. Each claim is summarized as required by 37 C.F.R. §41.37 (c)(1)(v). For the convenience of the Honorable Board of Appeals as well as to avoid any appearance of impropriety in characterizing the independent claims and not wishing to be legally bound by the summary of the independent claims hereinafter provided, the independent claims are reproduced here each in its entirety after its respective summary with antecedent basis for each claim cited after the body of the quoted claim referring to page and line number in the specification.

Summary of claim 1: A method of doing business comprising the transfer of patented goods from a licensor to a licensee while prohibiting the subsequent use of the transferred patented goods by the licensee in any manner that develops, generates or invents new intellectual property by a license.

Claim 1 recites: "A method of doing business comprising the transfer of goods owned by a licensor from said licensor to a licensee wherein the goods are claimed in one or more patents owned by licensor and wherein rights in the goods are transferred by means of a license having terms said rights in the goods comprising intellectual property rights wherein the terms of the license reserve some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license. (page 2 line 24 through line 28, the phrase "one or more patents" occurs in originally presented and now canceled claim 2)."

Summary of claim 13: A method of doing business comprising the transfer of patented goods from a transferor to a transferee while prohibiting the subsequent use of the transferred patented goods by the transferee in any manner that develops, generates or invents new intellectual property by a contract, lease or license.

Claim 13 recites: "A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument (page 2 lines 14 through 22; the phrase "one or more patents" occurs in originally presented and now canceled claim 2) ."

Summary of claim 25: A method of doing business comprising the transfer one or more times of patented goods where the last transfer is a transfer at retail from a transferor to a transferee while prohibiting the subsequent use of the transferred patented goods by any transferee in any manner that develops, generates or invents new intellectual property by a contract, lease or license.

Claim 25 recites: "A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses said instrument having terms said rights in the goods comprising intellectual property rights wherein the terms of the instrument and all intervening instruments reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee or sub-transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument wherein the last transfer is a transfer of goods at retail (page 2 lines 14 through 22; the phrase "one or more patents" occurs in originally presented and now canceled claim 2; the phrase "wherein the last transfer is a transfer of goods at retail" occurs at page 3 line 4). "

Summary of claim 26: A method of doing business comprising the transfer of patented goods from a licensor to a licensee while prohibiting the subsequent use of the transferred patented goods by the licensee in any manner that develops, generates or invents new intellectual property by a license where the license provides for an automatic grant back of intellectual property rights to the licensor if licensee breaches the license by developing new intellectual property.

Claim 26 recites: "A method of doing business comprising the transfer of goods owned by a licensor from said licensor to a licensee wherein the goods are claimed in one or more patents owned by licensor and wherein by the terms of the license rights in the goods are transferred by means of a license having terms said rights in the goods comprising intellectual property rights wherein the terms of the license reserves some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license wherein said license further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by lessee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to lessor (page 2 line 24 through line 28, the phrase "one or more patents" occurs in originally presented and now canceled claim 2; the phrase "wherein in consideration of using the goods . . ." has antecedent basis at page 12 lines 11 through 17; and the assignment provision has antecedent basis at page 10 line 24 through page 11 line 4)."

Summary of claim 27: A method of doing business comprising the transfer of patented goods from a transferor to a transferee while prohibiting the subsequent use of the transferred patented goods by the transferee in any manner that develops, generates or invents new intellectual property by a contract, lease or license where the contract, lease or license provides for an automatic grant back of intellectual property rights to the transferor if transferee breaches the contract, lease or license by developing new intellectual property.

Claim 27 recites: "A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein by the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument wherein said instrument further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to transferor (page 2 lines 14 through 22; the phrase "one or more patents" occurs in originally presented and now canceled claim 2; the phrase "wherein in consideration of using the goods . . ." has antecedent basis at page 12 lines 11 through 17; and the assignment provision has antecedent basis at page 10 line 24 through page 11 line 4)."

Summary of claim 28: A method of doing business comprising the transfer one or more times of patented goods from a transferor to a transferee where the last transfer is a transfer at retail while prohibiting the subsequent use of the transferred patented goods by any transferee in any manner that develops, generates or invents new intellectual property by a contract, lease or license where the contract, lease or license provides for an automatic grant back of intellectual property rights to the transferor if transferee breaches the contract, lease or license by developing new intellectual property.

Claim 28 recites: "A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or

licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein by the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the lessor wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the lease wherein the last transfer is a transfer of goods at retail wherein said instrument further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to lessor (page 2 lines 14 through 22; the phrase "one or more patents" occurs in originally presented and now canceled claim 2; the phrase "wherein in consideration of using the goods . . ." has antecedent basis at page 12 lines 11 through 17; and the assignment provision has antecedent basis at page 10 line 24 through page 11 line 4; the phrase "wherein the last transfer is a transfer of goods at retail" occurs at page 3 line 4)."

III. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

A. The Rejections

Claim Rejections Under 35 U.S.C. §101

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §101 as being directed to non-statutory subject matter. In the final rejection the Examiner stated:

"In the present case, claim 1 and 3 - 28 only recites an abstract idea. The recited steps of transferring goods which are claimed in one or more patents by a legal document, such as a license or lease, does not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use of a pencil and paper. These steps only constitute an idea of how to transfer a bundle of rights using a legal instrument and thus, are only an abstract idea."

Claim Rejections Under 35 U.S.C. §102(b)

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §102(b) as anticipated by Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology (herein after Erbisch), stating: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from a licensor to a licensee. Terms and conditions are inherent in any license (pages 31 - 47)."

Claim Rejections Under 35 U.S.C. §103(a)

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §103(a) as being unpatentable over Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology (herein after Erbisch). In making the rejection the Examiner states:

"Claims 1, 13, 25, 26, 27 and 28 all read on a method of doing business comprising the transfer of goods from a licensor to a licensee or comprising the transfer of goods from a transferor to a transferee by a license in the area of intellectual property.

Erbisch discloses a method of doing business comprising the transfer of goods from a licensor to a licensee or a transferor to a transferee by a license having terms in the area of intellectual property (see Transferring Intellectual Properties - pages 31 - 47. Erbisch also discloses the transfer of intellectual property rights which would include patents. Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license are all terms and conditions that are set for the (sic) in a license, or that the goods are claimed in one patent or one or more patents, or wherein the license may be assigned, or may be assigned by the licensee to a first assignee, or whereby the license may be further assigned by the first assignee to a second assignee.

However, the examiner takes Official Notice that terms and conditions are old and well known in all licenses. . . . It would have been obvious to one of ordinary skill in the art to draft a license as presented in claims 1, 13, 25, 26, 27 and 28 with any or all of the terms and conditions set forth in claims 3 - 12 and 14 - 24.

The examiner also take Official Notice that a lease is an exclusive license and both lease and license are contract instruments that convey the right to use or possess to another. A contract, a lease and a license are all legal instruments. A contract is defined in Black Law Dictionary (sic) as an agreement between two or more persons which creates an obligation to do or not do a particular thing. Therefore, the fact that the licensee is prohibited from using the goods to develop any new intellectual property is merely a condition or obligation not to do a particular thing."

Claim Rejections Under 35 U.S.C. §112

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §112 first paragraph as failing to comply with the enabling requirement. As stated by the Examiner:

"The claim(s) contains subject matter not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and or use the invention. The preamble to the claim reads as 'a method of doing business comprising the transfer of goods owned by a licensor from said licensor to a licensee wherein the goods are claimed in one or more patents owned by licensor and wherein rights in the goods are transferred by means of a license.' However, neither the specification, nor the claims indicate how this physical transfer takes place. A license is an instrument whereby 'rights' are transferred. A license cannot physically transfer the goods."

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §112 second paragraph as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. As stated by the Examiner:

"It is unclear as to what the applicant actually claims as applicant's invention. Reading the applicant's claims as written, it appears that the applicant is claiming a method of doing business comprising the transfer of goods from a licensor to a licensee. Goods are not physically transferred by the license. The right or privilege to use the goods are transferred by a license. Therefore, if the applicant is actually trying to claim the transfer of goods, then the applicant has failed to provide the steps that carry out the transfer. It appears that applicant may be trying

to claim the transfer of intellectual property rights to goods through a license."

B. Discussion of the References

The Examiner has cited Chapter 3, "Transferring Intellectual Properties," pages 31 - 47 from Intellectual Property Rights in Agricultural Biotechnology edited by F. H. Erbisch and K. M. Maredia, published by CAB International, Oxon, UK; New York, NY (1998). This chapter discusses the licensing of intellectual property. It does not discuss or suggest the sale or transfer of goods wherein the goods are claimed in or are protected by the claims of one or more patents (patented goods) and where rights to use the patent goods may be restricted by the terms of the instrument transferring the patented goods. Further, the reference does not discuss or suggest a restriction on creating new intellectual property.

The Examiner has cited Black's Law Dictionary as exemplary of terms and conditions. The restricted right to use patented goods is a term or condition that nowhere occurs in Black's Law Dictionary.

C. The Issues

Claim Rejections Under 35 U.S.C. §101

The Examiner has narrowly construed the language of the courts in interpreting the scope of patentable subject matter available for protection by the statute in contrast to the broad scope of patentable subject matter announced by the Court. Such a narrow construction misapprehends the purpose of the instructions ignoring the mandate of the U. S. Constitution which is to define patentable subject matter as that subject matter which can be the subject of an enforceable claim.

Claim Rejections Under 35 U.S.C. §102

The Examiner has not followed either the instructions of the courts or the procedures and instructions of the U. S. Patent and Trademark Office as reflected in the M.P.E.P. in making rejections under section 102 of Title 35. Anticipation requires an identicity of subject matter not anywhere referenced in the Examiner's rejections.

Claim Rejections Under 35 U.S.C. §103

The Examiner has not followed either the instructions of the courts or the procedures and instructions of the U. S. Patent and Trademark Office as reflected in the M.P.E.P. in making rejections under section 103 of Title 35. Merely pointing to a dictionary or a treatise to substantiate a rejection under 103 is superficial, procedurally defective and therefor is not sufficient for a substantive response on the merits.

Claim Rejections Under 35 U.S.C. §112

The Examiner has not followed the instructions of the courts in making rejections under section 112 of Title 35. Appellant's plain teachings in the words of the specification itself both enable and particularly point out and distinctly claim the subject matter of Appellant's. The Examiner has refused to observe the guidance provided by the courts.

IV. GROUPING OF THE CLAIMS

The claims are grouped as follows:

Claims 1 and 3 - 28 are drawn to a method of doing business. The claims all stand or fall together.

V. ARGUMENT

Claim Rejections Under 35 U.S.C. §101

In the action finally rejecting Appellant's claims, the Examiner maintained the rejection of claims 1 – 28 under 35 U.S.C. §101 because the claimed invention is directed to subject matter that is alleged to be non-statutory.

This rejection was respectfully traversed because the Examiner's rejection under 35 U.S.C. § 112 by reason of Appellant's claim preamble that recites a physical process, the transfer of goods, that is allegedly not enabled, obviates a rejection under 35 U.S.C. § 101 because a physical process is statutory subject matter. The rejections, made in the prior action on the merits, place the Examiner in the position of taking positions legally contradictory to each other depending on upon which section of the statute the Examiner is basing the rejection.

"The law crystallized about the principle that claims directed solely to an abstract mathematical formula or equation, including the mathematical expression of scientific truth or a law of nature, whether directly or indirectly stated, are non-statutory under section 101; whereas claims to a specific process of apparatus that is implemented in accordance with a mathematical algorithm will generally satisfy section 101. In applying this principle to an invention whose process steps or apparatus elements are described at least in part in terms of mathematical procedures, the mathematical procedures are considered in the context of the claimed invention as a whole." Arrhythmia Research Technology Inc. v. Corazonix Corp., 22 U.S.P.Q.2d 1033, 1035, 1037 (Fed. Cir. 1992).

In making the rejection under section 101 the Examiner has not followed the instructions of the court:

"Determination of statutory subject matter has been conveniently conducted in two stages, following a protocol initiated by the Court of

Customs and Patent Appeals. This analysis has been designated the *Freeman-Walter-Abele* test for statutory subject matter. It is first determined whether a mathematical algorithm is recited directly or indirectly in the claim. If so, it is next determined whether the claimed invention as a whole is no more than the algorithm itself; that is, whether the claim is directed to a mathematical algorithm that is not applied to or limited by physical elements or process steps. Such claims are nonstatutory. However, when the mathematical algorithm is applied in one or more steps of an otherwise statutory process claim, or one or more elements of an otherwise statutory apparatus claim, the requirements of section 101 are met." Arrhythmia, *Id.*

Transferring goods is a physical process with which the Examiner has agreed in making the section 112 rejection: "Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee."

'The steps included in a claim of "converting," "applying," "determining" and "comparing" are physical process steps that transform one physical, electrical step into another. The view that "there is nothing necessarily physical about 'signals'" is incorrect. The *Freeman-Walter-Abele* standard is met, for the steps of the claimed method comprise an otherwise statutory process whose mathematical procedures are applied to physical process steps." Arrhythmia Research Technology Inc. v. Corazonix Corp., 22 U.S.P.Q.2d 1033, 1035, 1038 (Fed. Cir. 1992).

This is the procedure required by the Board of Patent Appeals and Interferences:

A mathematical algorithm is defined as a procedure for solving a given type of mathematical problem. The proper analysis of mathematical algorithm-statutory subject matter cases is a two-part test. First, it must be determined whether the claim directly or indirectly recites mathematical algorithm in the *Benson* sense. Second, it must be determined whether the mathematical algorithm is applied in any manner to physical elements or process steps. Ex parte Akamatsu, 22 USPQ2d 1915, 1917 (BPAI 1992).

Under the second part of the two-part test, we follow the CCPA's suggestion in *Abele* of viewing the claims without the mathematical algorithm to identify the underlying process to which the mathematical algorithm is applied. If the remaining process steps (without the algorithm) define "otherwise statutory" subject matter, then the inclusion

of the mathematical algorithm does not make the claims nonstatutory. Akamatsu, *Id.*

The Examiner's position in maintaining the section 101 rejection " as an abstract idea that does not provide a practical application in the technological arts based on the fact that the examiner has interpreted the claims in light of the 112 2nd rejection above" is contrary to current Supreme Court, Federal Circuit and BPAI doctrine. Appellant has made these points before. Appellant notes that business methods, including those, which transfer goods, are now patentable in the United States. State Street Bank and Trust Co. v. Signature Financial Group, 927 F. Supp. 502, 38 U.S.P.Q.2d 1530 (D. Mass 1996), *rev'd*, 149 F.3d 1368, 47 U.S.P.Q.2d 1596 (Fed. Cir. 1998) *cert. denied* 525 U.S. 1093 (1999). Almost any process can be categorized as an algorithm and on that basis declared unpatentable. Stevens, J. *dissenting in Diamond v. Diehr*, 450 U.S. 175, 209 U.S.P.Q. 1, 11 (1981). However, it should be noted that both Diehr and Arrhythmia stand for the proposition that use of an algorithm in a transformation constitutes patentable subject matter. Diamond v. Diehr, 450 U.S. 175, 209 U.S.P.Q. 1 (1981); Arrhythmia Research Technology, Inc. v. Corazonix Corp., 958 F.2d 1053, 22 U.S.P.Q.2d 1033 (Fed. Cir. 1992).

The Examiner's rejection has been previously traversed for the following reasons. In enacting the 1952 patent statute (Title 35 US Code) Congress intended statutory subject matter to "include anything under the sun that is made by man." Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 197 (1980) *citing* S. Rep. No. 1979, 82nd Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1979, 82nd Cong., 2d Sess. 6 (1952). The Court further explained that 35 U.S.C. §101 does not embrace every discovery but "excludes laws of nature, physical phenomena and abstract ideas." Diamond v. Chakrabarty, 477 U.S. 303, (1980) *citing* Parker V. Flook, 437 U.S. 584 (1978); Gottschalk v. Benson, 409 U.S. 63, 67 (1973); Funk Seed Co. v. Kalo Co., 333 U.S. 127,

130 (1948); O'Reilly v. Morse, 15 How. 61 (1853); Le Roy v. Tatham, 14 How. 155, 175 (1852). The Examiner has rejected claims 1- 28 because they allegedly recite an abstract "idea of how to license intellectual property with a reservation of rights." This conclusion is traversed because: 1) the claims recites a transfer of patented goods with an accompanying reservation of intellectual property rights to the transferor, the necessary language of how to reserve the intellectual property rights is recited in the specification, 2) the transfer of goods from a first party to a second party is a physical process not an abstract idea (conceded by the Examiner in making a rejection under section 112 for lack of enablement in the most recent action on the merits); 3) because possession of the goods has been transferred from a first party to a second party, a legal right, possession, has been transferred simultaneous with the physical transfer (the Examiner's hypothecation involving the tortuous or criminal misappropriation of goods as a rebuttal in the previous action on the merits is inapposite, inappropriate and completely unrelated to the legal transfer of goods between parties which occurs by consent and for consideration); and 4) legal rights themselves are not abstract (a statement with which the Examiner agreed in the action on the merits mailed September 10, 2003 at page 12). The claimed invention is a process for transferring goods comprising the reservation of certain legal rights by the transferor, specifically the reservation of intellectual property rights. Under current Supreme Court doctrine as interpreted by the Federal Circuit and the BPAI, Appellant respectfully submits that Appellant's claims, as now amended, subtend statutory subject matter.

The Examiner's statement that the claimed subject matter "does not apply, involve, use, or advance the technological arts" has been respectfully traversed for the following reasons. The first prong of the test utilized by the Examiner (and the Office) unduly limits inventions to "the technological arts" because Article I Section of 8 of the Constitution states the purpose of the patent system is "To promote the Progress of

Science and useful arts" not merely just the "technological arts." U.S. Const. Art. I §8 This narrowing of utility to just the technological arts is neither warranted by the express intent of Congress or the holdings of the Court because Congress intended statutory subject matter to "include anything under the sun that is made by man." Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 197 (1980) *citing* S. Rep. No. 1979, 82nd Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1979, 82nd Cong., 2d Sess. 6 (1952). The Court has expressly observed that "Flook did not announce a new principle that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable *per se*. Diamond v. Chakrabarty, 477 U.S. 303, 206 U.S.P.Q. 193, 200 (1980). This therefore must include new legal processes, such as legal processes, as instantly claimed because the judicially created exceptions to patentability under §101 do not expressly exclude legal processes, i.e. the only processes expressly excluded are laws of nature, physical phenomena and abstract ideas." Diamond v. Chakrabarty, 477 U.S. 303, (1980), *citations omitted*.

In the Examiner's last response the Examiner states:

"The Examiner admits that transferring goods is a physical process. So is writing a letter. However, until this process is tied to the technological arts, it remains non-statutory. For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e. abstract idea, law of nature, natural phenomena) that do not apply, involve or use the technological arts, fail to promote the "progress of science and the useful arts" (i.e. the physical sciences as opposed to social sciences, for example) and are therefore found to be non-statutory matter. For a process claim to pass muster, the process must somehow apply, involve, use or advance the technological arts. Claims 1 – 28 are rejected under 35 U.S.C. 101 as non-statutory . The method claims as presented do not claim a technological basis in the body of the claim."

In making the statements "The Examiner admits that transferring goods is a physical process. So is writing a letter." The Examiner has confused a process useful in commerce with a process of literary creation. The comparison is inapposite. In

summarizing this rejection the Examiner has quoted language from the U. S. Constitution, Art. 1 Sect. 8 "to promote the 'progress of science and the useful arts'" and then in making the rejection limited the scope of the Constitutional grant to only the technological arts because "[f]or a process claim to pass muster, the process must somehow apply, involve, use or advance the technological arts" completely disregarding the balance of the other useful arts. Such a narrow view of the Constitutional grant is inappropriate.

"The plain and unambiguous meaning of 101 is that any invention falling within one of the four stated categories of statutory subject matter may be patented, provided it meets the other requirements for patentability set forth in Title 35, i.e., those found in §§102, 103, and 112, ¶ 2. The repetitive use of the expansive term "any" in 101 shows Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in 101. Indeed, the Supreme Court has acknowledged that Congress intended 101 to extend to "anything under the sun that is made by man." *Diamond v. Chakrabarty*. Thus, it is improper to read limitations into 101 on the subject matter that may be patented where the legislative history indicates that Congress clearly did not intend such limitations." State Street Bank & Trust v. Signature Financial Group, 47 USPQ2d 1596, 1600 (Fed. Cir. 1998).

Appellant's process changes both the physical possession of patented goods (a transfer from the patentee transferor to a transferee) and their legal state (by reserving intellectual property rights in the goods to the transferor limiting the right of the transferee to develop new intellectual property using the patented goods).

"Defendant argues that method claims containing mathematical algorithms are patentable subject matter only if there is a "physical transformation" or conversion of subject matter from one state into another. The notion of "physical transformation" can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application. As the Supreme Court itself noted, "when (a claimed invention) is performing a function which the patent laws were designed

to protect (e.g., transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of § 101." AT& T Corporation v. Excel Communications Inc., 50 U.S.P.Q.2d 1447, 1452 (Fed. Cir. 1999).

This change in legal state alone is sufficient to satisfy the requirement of § 101. The useful application requirement stated by the court is in one aspect an evidentiary requirement to render patent claims enforceable. Application of an algorithm or law of nature that produces a measurable effect or a useful application can be claimed and the claim can be enforced because the effect or application can be monitored. When the specific parameters that particularize an algorithm or a law of nature are absent, there is no resulting effect or application that can become evidence of infringement of the process (which is a specific application of an algorithm or law of nature) and thus section 101 can not be satisfied. Stated otherwise, if a process produces a footprint or physical effect whereby infringement can be determined then the requirements for patentability under section 101 have been met. Appellant's novel process produces such a footprint.. Each transfer reserving intellectual property rights will be somewhat more complicated than an ordinary sale and will thus involve a legal instrument (other than an ordinary bill of sale) that also reserves intellectual property rights. The legal instrument (contract, license or lease) reserving such intellectual property rights itself is evidence (the footprint or physical effect) that the process has been applied to a particular transfer of patented goods and unless permitted would be an infringement. The existence of the legal instrument governing the transfer belies the assertion that Appellant is claiming an abstract idea. The physical effect is the creation and use of a legal instrument meeting the requirements of the claim. "The notion of "physical transformation" can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application." AT& T Corporation v. Excel Communications Inc., id.

"We note these discussions of the meaning of "algorithm" to take the mystery out of the term and we point out once again that every step-by-step process, be it electronic or chemical or mechanical, involves an algorithm in the broad sense of the term. Since §101 expressly includes processes as category of inventions which may be patented and §100(b) further defines the word "process" as meaning "process, art or method and includes a new use of a known process, machine, manufacture, composition of matter, or material," it follows that it is no ground for holding a claim is directed to nonstatutory subject matter to say it includes or is directed to an algorithm. This is why the proscription against patenting has been limited to mathematical algorithms and abstract mathematical formulae which, like the laws of nature, are not patentable subject matter." In re Iwahashi, 12 U.S.P.Q.2d 1908, 1911 (Fed. Cir. 1989).

In making the statement:

"The notion of "physical transformation" can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application." AT& T Corporation v. Excel Communications Inc., 50 U.S.P.Q.2d 1447, 1452 (Fed. Cir. 1999).

the Federal Circuit has reinstated In re Musgrave as good law:

"A method or process remains statutory even if some or all of the steps therein can be carried out: in the mind, with the aid of the human mind, or because it may be necessary for one performing the method or process to think." In re Musgrave, 431 F.2d 882, 893, 167 U.S.P.Q. 280, 289 (C.C.P.A. 1970).

Accordingly, Appellant respectfully submits Appellant's claimed process subtends statutory subject and the examiner's rejection is in error and should be reversed by the Honorable Board of Appeals.

Claim Rejections Under 35 U.S.C. §102

The Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §102(b) as anticipated by Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology (herein after Erbisch), stating: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from a licensor to a licensee. Terms and conditions are inherent in any license (pages 31 - 47)."

The Examiner has stated: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from a licensor to a licensee." However, simply put, the transfer of intellectual property rights from a licensor to a licensee is not a reservation of those rights by the licensor as claimed instantly. This flies in the face of logic.

"For a prior art reference to anticipate in terms of Sec. 102, every element of the claimed invention must be identically shown in a single reference. *Diversitech Corp. v. Century Steps, Inc.*, 850 F.2d 675, 677, 7 U.S.P.Q.2d 1315, 1317 (Fed. Cir. 1988) These elements must be arranged as in the claim under review, *Lindemann Maschinenfabrik v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1458, 221 U.S.P.Q. 481, 485 (Fed. Cir. 1984), but this is not an '*ipsissimus verbis*' test, *Akzo N. V. v. United States Int'l. Trade Comm'n.*, 808 F.2d 1471, 1479 & n.11, 1 U.S.P.Q.2d 1241, 1245 & n.11 (Fed. Cir. 1986), *cert. denied* 482 U.S. 909 (1987)." In re Bond, 910 F.2d 831, 15 U.S.P.Q.2d 1566 (Fed. Cir. 1990).

The each and every element test required for a rejection under section 102 has not been satisfied. Further, both the Honorable Board of Appeals and the M.P.E.P. requires the Examiner to point out the specific teachings in a cited reference that anticipate:

"The factual determination of anticipation requires the disclosure in a single reference of every element of the claimed invention. Moreover, it is incumbent upon the examiner to identify wherein each and every facet of the claimed invention is disclosed in the applied reference." Ex parte Levy, 17 U.S.P.Q.2d 1461, 1462 (BPAI 1990).

Appellant respectfully submits that the Examiner is in error and should be reversed by the Honorable Board of Appeals

Claim Rejections Under 35 U.S.C. §103

In the action finally rejecting Appellant's claims the Examiner rejected claims 1, 13, 25, 26, 27 and 28 under 35 U.S.C. 103(a) citing Erbisch stating that:

"Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license are all terms and conditions that are set for the in a license(sic), or that the goods are claimed in one patent or one or more patents, or wherein the license may be assigned, or may be assigned by the licensee to a first assignee, or whereby the license may be further assigned by the first assignee to a second assignee. However, the examiner takes Official Notice that terms and conditions are old and well known in all licenses."

However, if Erbisch does not disclose Appellant's claimed subject matter, Erbisch cannot render Appellant's claimed subject matter obvious. Another teaching must be used to remedy the deficiency. The Examiner goes on to maintain "[i]t would have been obvious to one of ordinary skill in the art to draft a license as presented in claims 1, 13, 25, 26, 27, and 28 with any or all of the terms and conditions set forth in claims 2-12 and 14-24." In claim 1 Appellant recites "the terms of the license reserve some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license." The restriction "wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license" satisfies the condition that "the terms of the license reserve some or all of the intellectual property rights in the goods to the licensor." Claim 25 recites these same conditions

but adds "wherein the last transfer is a transfer of goods at retail. Claim 27 recites many of the same conditions as claim 1 but adds a self-executing remedy for breach of the provisions "wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license " by the following language "wherein said instrument further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to transferor." While some terms and conditions may very well be "old and well known in all licenses;" the new terms and conditions specifically disclosed and claimed by Appellant are neither old nor known; specifically the reservation of "some or all of the intellectual property rights in the goods to the licensor," the prohibition on developing new intellectual property: "wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument," and the self-executing remedy of claims 26, 27, and 28: "wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to transferor." Appellant's claimed invention is neither old nor known as evidenced by the Examiner's inability to establish a *prima facie* case of obviousness.

"To combine references (A) and (B) properly to reach the conclusion that the subject matter of the patent would have been obvious, case law requires that there must be some teaching, suggestion, or inference in either (A) or (B), or both, or knowledge generally available to one of ordinary skill in the relevant art, that would lead one skilled in the art to combine the relevant teachings of references (A) and (B). Consideration must be given to teachings in the references that would have led one skilled in the art away from the claimed invention. A claim cannot

properly be used as a blueprint for extracting individual teachings from references." Ashland Oil, Inc. v. Delta Resins and Refractories, 776 F.2d 281, 227 U.S.P.Q. 657 (Fed. Cir. 1985), emphasis added.

"The mere fact that the prior art may be modified in the manner suggested by the Examiner does not make the modification obvious unless the prior art suggested the desirability of the modification." In re Fritch, 972 F.2d 1260, 23 U.S.P.Q.2d 1780, 1783 (Fed. Cir. 1992).

"The mere fact that a worker in the art could rearrange the parts of the reference device to meet the terms of the claims on appeal is not, by itself, sufficient to support a finding of obviousness. The prior art must provide a motivation or reason for the worker in the art, without the benefit of the appellant's specification, to make the necessary changes in the reference device. The Examiner has not presented any evidence to support the conclusion that a worker in this art would have had the necessary motivation to make the necessary changes in the reference device to render the here-claimed device unpatentable." Ex parte Chicago Rawhide Manufacturing Co., 226 U.S.P.Q. 438 (B.P.A.I. 1984).

The Examiner has not pointed to any teaching in the cited art motivating or suggesting Appellant's specific terms and conditions. The Examiner has not pointed to any motivation or suggestion in the art cited to combine these terms to arrive at Appellant's instruments. Indeed the Examiner concedes that Erbisch does not teach Appellant's recited claims: "Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license" and in making the rejection under section 102(b) cites provisions that teach away from Appellant's teaching: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from licensor to licensee (transferring rights as opposed to Appellant's reservation of those rights). Further, the Examiner has cited Black's Law Dictionary as exemplary of terms and conditions. The restricted right to use patented goods is a term or condition that nowhere occurs in

Black's Law Dictionary. Citing Black's Law Dictionary for the proposition that it renders Appellant's claimed invention, which includes unique terms and conditions of a legal document as part of a new process, obvious is analogous to citing the Periodic Table of Elements for the proposition that the Periodic Table renders a new molecule or composition of matter obvious. Even if the Examiner's rejection were permissible the courts have given a fair amount of guidance as to what constitutes a permissible rejection:

"[i]t is impermissible within the framework of 35 U.S.C. 103 to pick and choose from any one reference only so much of it as will support a given position to the exclusion of other parts necessary to the full appreciation of what such reference fairly suggests to one skilled in the art." Bausch & Lomb, Inc. v. Barnes-Hind Hydrocurve, Inc., 230 U.S.P.Q.2d 416 (Fed. Cir. 1986).

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"It is impermissible to use the claims as a frame and the prior art references as a mosaic to piece together a facsimile of the claimed invention." Uniroyal Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 5 U.S.P.Q.2d 1434, 1438 (Fed. Cir. 1988).

Once again, the examiner's rejection flies in the face of logic.

Last but not least the Examiner has not posited any rationale for making the combination of Erbisch and Black's Law Dictionary:

"Selective hindsight is no more applicable to the design of experiments than it is to the combination of prior art teachings. There must be a reason or suggestion in the art for selecting the procedure used, other than the knowledge learned from applicant's disclosure." In re Dow Chemical Co., 837 F.2d 469, 5 U.S.P.Q.2d 1529 (Fed. Cir. 1988).

"To combine references (A) and (B) properly to reach the conclusion that the subject matter of the patent would have been obvious, case law requires that there must be some teaching, suggestion, or inference in

either (A) or (B), or both, or knowledge generally available to one of ordinary skill in the relevant art, that would lead one skilled in the art to combine the relevant teachings of references (A) and (B). Consideration must be given to teachings in the references that would have led one skilled in the art away from the claimed invention. A claim cannot properly be used as a blueprint for extracting individual teachings from references." Ashland Oil, Inc. v. Delta Resins and Refractories, 776 F.2d 281, 227 U.S.P.Q. 657 (Fed. Cir. 1985), emphasis added.

"If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent. See *In re Grabiak*, 769 F.2d 729, 733, 226 USPQ 870, 873 (Fed. Cir. 1985); *In re Rinehart, supra*." In re Oetiker, 24 U.S.P.Q.2d 1443, 1444 (Fed. Cir. 1992) Not only has the Examiner failed to make out a *prima facie* case of obviousness but the Examiner is also in error and should be reversed by the Honorable Board of Appeals.

Claim Rejections Under 35 U.S.C. §112

In the action finally rejecting Appellant's claims the Examiner the rejected claims 1-28 under 35 U.S.C. §112 first paragraph as failing to comply with the enablement requirement. The Examiner has stated:

"Claims 1-28 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contain subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention. The preamble to the claim reads as "a method of doing business comprising the transfer of goods from a licensor to a licensee." Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee. However, neither the specification nor the claims indicate how this physical transfer takes place. A license is an instrument whereby rights are transferred. A license cannot physically transfer the goods."

The Examiner has interpreted the claim giving effect to the structural limitation of the preamble: "Transferring goods is a physical act of moving goods from the possession of the licensor to the licensee. However, neither the specification nor the claims indicate how this physical transfer takes place." Here Appellant's claim preamble establishes that the claimed process involves the transfer of goods, a process satisfying the requirements of section 101:

"Although no 'litmus test' exists as to what effect should be accorded to words contained in a preamble, review of a patent in its entirety should be made to determine whether the inventors intended such language to represent an additional structural limitation or mere introductory language." In re Paulsen, 30 F.3d 1474, 31 U.S.P.Q.2d 1671, 1673 (Fed. Cir. 1994).

"A claim preamble has the import that the claim as a whole suggests for it. When the claim drafter chooses to use both the preamble and the body to define the subject matter of the claimed invention, the invention so defined and not some other, is the one the patent protects." Bell Communications Research Inc. v Vitalink Communications Corp., 55 F.3d 615, 34 U.S.P.Q.2d 1816, 1820 (Fed. Cir. 1995).

The Examiner agrees that transferring goods is a physical process and rejects Appellant's claims for lack of enablement. Appellant has respectfully traversed the Examiner's position that the process of transferring goods is not enabled because despite the Examiner's assertion that: "neither the specification nor the claims indicate how this physical transfer takes place:"

"Claims need not recite limitations that deal with factors that must be presumed to be within the level of ordinary skill in the art, where one of ordinary skill in the art, to whom the specification and claims are directed, would consider such factors obvious." In re Skrivan, 427 F.2d 801, 166 U.S.P.Q. 85 (C.C.P.A. 1970).

Millions of ordinary Americans transfer goods daily; they do not however transfer goods reserving intellectual property rights. Appellant teaches generally how to reserve those rights and provides examples in Appellant's specification of the requisite language to reserve at least one of those rights, the right to use the patented goods to develop new intellectual property rights, to the licensor, lessor or contractor. The statute does not require more. Engel Indus., Inc. v. Lockformer Co., 946 F.2d 1528, 1531 (Fed. Cir. 1991).

Further, Appellant respectfully requests the Honorable Board of Appeals to take notice of the specific teachings in Appellants specification:

"Unlike a business to business transaction where the types of materials licenses (or leases) of the method of the present invention are contemplated and are negotiated, consumer transactions at retail do not provide opportunity for such give and take in negotiating to obtain the benefit of the bargain. In retail transactions the consumer must be given fair notice that the goods are not being purchased but are instead being leased and that the lease imposes certain restrictions on use, specifically the reservation of intellectual property rights and a prohibition on exercising the right to experiment with the licensed goods to create new intellectual property rights. In order to provide fair notice to the transferee (consumer) of goods encumbered with such a reservation of intellectual property rights, the notice must be prominently displayed on the outside packaging of the goods being transferred so that the prospective transferee has or would have had the opportunity to read and accept the terms of the notice prior to consummating the transaction. One embodiment of such a notice on the outside of the packaging would deal with materials or articles covered by the claims of valid and enforceable patents and could read as follows:

"NOTICE - Materials (or Article) License - Intellectual Property Rights Reserved and

Notice of Contract Formation - the materials (or article) contained in this packaging are (or is) the subject of one of more United States (or other jurisdiction) patents (list of relevant patent numbers). The price on this package reflects the cost to license the materials (or article) within from the patentee or assignee (hereinafter licensor) for a period of time not to exceed the latest relevant expiring patent grant. The licensor is the

patentee or assignee of the United States (or other jurisdiction) patents listed above and is leasing the materials or article herein contained to licensee in consideration of the price of transfer subject to the following terms and conditions:

- 1) all rights to use and enjoy the materials or articles contained herein are being transferred to the licensee by the licensor (patentee or assignee of the patent) including the right to assign this license or sub-license to the materials or articles contained herein with the exception of:
 - a) all rights in the intellectual property embodied by the materials or articles being licensed and
 - b) the right to use the materials or article or the intellectual property embodied by the materials or article in any fashion or manner that creates new intellectual property rights where such intellectual property rights are not vested in the licensor;
- 2) licensee agrees and promises that when acting as an assignor or sub-licensor that assignor or sub-licensor will advise and require all subsequent assignees or sub-licensees to publish this notice and bind these terms to subsequent transferees (hereinafter sub-transferee) who by accepting this material or article become sub-transferees; and
- 3) all subsequent transferees and successors in interest to this license as sub-transferees are bound by these limitations whether the material or article herein contained is transferred for consideration or by act of donation.
- 4) Licensor's remedy for breach of this license by licensee, sub-licensee or sub-transferee may include at licensor's option revocation of this license and/or repossession of the licensed goods, contract damages, damages for patent infringement and all other available remedies at law or in equity or
- 5) where licensee, assignee of the license, sub-licensee or sub-transferee develops new intellectual property in breach of this license, in consideration of the exercise of the right to experiment with the licensed goods and thereby develop new intellectual property licensee, assignee of the license, sub-licensee or sub-transferee agrees that such exercise shall be an acceptance by performance of a contract for joint development of the new intellectual property where both licensor and licensee, assignee of the license, sub-licensee or sub-transferee own an undivided interest in the new intellectual property and licensee, assignee of the license, sub-licensee or sub-transferee hereby agrees to assign to licensor a one-half undivided interest in any intellectual property developed thereby and to make all reasonable efforts to perfect such intellectual property rights and to execute all documents necessary to establish such undivided right, title

and interest in licensor. This license shall be governed by the law of the state of (select state) without giving effect to its choice of law provisions. At the expiration of the last to expire relevant patent grant, this license expires. No variation in the terms of this license is permitted unless agreed to in writing by licensor. Licensor may be contacted at (licensor's address)." Specification, page 7 *et seq.*

The Honorable Board of Appeals is referred to Appellant's claim 27 in the Appendix. Appellant respectfully submits that the text quoted from Appellant's specification fully enables claim 27.

"The enablement requirement is met if the description enables any mode of making and using the claimed invention. Engel Indus., Inc. v. Lockformer Co., 946 F.2d 1528, 1531 (Fed. Cir. 1991) cited in CFMT, Inc. v. YieldUp Intern. Corp. 349 F.3d 1333, 1338, *rehearing denied* 68 U.S.P.Q.2d 1940 (Fed Cir. 2003)

Since claim 27 is "any mode of making and using the claimed invention" the Examiner is in error and should be reversed by the Honorable Board of Appeals.

In the action finally rejecting Appellant's claims the Examiner has rejected claims 1 and 3 - 28 under 35 U.S.C. §112 second paragraph as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. As stated by the Examiner:

"It is unclear as to what the applicant actually claims as applicant's invention. Reading the applicant's claims as written, it appears that the applicant is claiming a method of doing business comprising the transfer of goods from a licensor to a licensee. Goods are not physically transferred by the license. The right or privilege to use the goods are transferred by a license. Therefore, if the applicant is actually trying to claim the transfer of goods, then the applicant has failed to provide the steps that carry out the transfer. It appears that applicant may be trying to claim the transfer of intellectual property rights to goods through a license."

As previously stated by the Examiner: "Erbisch discloses a method of doing business comprising the transfer of intellectual property rights in goods from a licensor to a licensee[.] and [i]t appears that applicant may be trying to claim the transfer of intellectual property rights to goods through a license." The Examiner is completely misapprehending the plain language of Appellant's claims by confusing the transfer of intellectual property rights from a licensor to a licensee with a reservation of those rights by the licensor as claimed instantly. This flies in the face of logic. The Examiner is in error and should be reversed by the Honorable Board of Appeals.

Related Proceedings

Appellant respectfully requests the Honorable Board of Appeals to take judicial notice of the PCT International Preliminary Examination Report under PCT Article 36 and Rule 70 (herewith included in the Related Proceedings Appendix) since the claims of originally filed U.S. Ser. No. 09/777,329, claims 1 through 25, and later filed within the convention year as PCT/US2002/004589 are seen to meet and satisfy the requirements of Novelty, Inventive Step and Industrial Applicability under PCT Article (33) (2)-(3). Appellant respectfully submits that in meeting PCT requirements for novelty, inventive step and industrial utility Appellant's patent application respectively satisfies the statutory requirements under 35 U.S.C. §102, 35 U.S.C. §103, and 35 U.S.C. §101.

VI. CONCLUSIONS

In rejecting Appellant's claims under 35 U.S.C. §101 for lack of statutory subject matter the Examiner has misunderstood and ignored the clear teachings of the courts:

"Since §101 expressly includes processes as category of inventions which may be patented and §100(b) further defines the word "process" as meaning "process, art or method and includes a new use of a known process, machine, manufacture, composition of matter, or material," it follows that it is no ground for holding a claim is directed to nonstatutory

subject matter to say it includes or is directed to an algorithm." In re Iwahashi, 12 U.S.P.Q.2d 1908, 1911 (Fed. Cir. 1989).

Clearly the requirement posited by the Examiner for a physical effect resulting from Appellant's process is a misunderstanding of the current state of the law:

"The notion of "physical transformation" can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application." AT& T Corporation v. Excel Communications Inc., 50 U.S.P.Q.2d 1447, 1452 (Fed. Cir. 1999).

as is the Examiner's insistence on a requirement for a technological effect - because technology is distinct from other useful arts because "the word 'process' as meaning 'process, art or method.'"

The Examiner is in error and should be reversed by the Honorable Board of Appeals.

The Examiner has made a rejection under 35 U.S.C. §102 broadly citing a reference without any specific citations. This is both procedurally and substantively defective.

"The factual determination of anticipation requires the disclosure in a single reference of every element of the claimed invention. Moreover, it is incumbent upon the examiner to identify wherein each and every facet of the claimed invention is disclosed in the applied reference." Ex parte Levy, 17 U.S.P.Q.2d 1461, 1462 (BPAI 1990).

The Examiner has not performed any analysis mapping Appellant's claims to elements in the reference(s) as required by In re Bond.

"For a prior art reference to anticipate in terms of Sec. 102, every element of the claimed invention must be identically shown in a single reference. *Diversitech Corp. v. Century Steps, Inc.*, 850 F.2d 675, 677, 7 U.S.P.Q.2d 1315, 1317 (Fed. Cir. 1988) These elements must be arranged as in the claim under review, *Lindemann Maschinenfabrik v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1458, 221 U.S.P.Q. 481, 485 (Fed. Cir. 1984), but this is not an 'ipsissimus verbis' test, *Akzo N. V. v. United States Int'l. Trade*

Comm'n., 808 F.2d 1471, 1479 & n.11, 1 U.S.P.Q.2d 1241, 1245 & n.11 (Fed. Cir. 1986), *cert. denied* 482 U.S. 909 (1987)." In re Bond, 910 F.2d 831, 15 U.S.P.Q.2d 1566 (Fed. Cir. 1990).

The Examiner is in error and should be reversed by the Honorable Board of Appeals.

The Examiner has made a rejection under 35 U.S.C. §103 broadly citing general references without any specific citations or providing any motivation to combine elements in the references to arrive at Appellant's claimed invention. The Court has enumerated the requirements for a rejection under section 103: "Under §103, the scope and content of the prior art are to be determined; the differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the background art resolved." Graham et al. v. John Deere Co., 148 U.S.P.Q. 459, 467, 383 U.S. 1 (1966) The Examiner has performed none of the analysis required under Graham v. Deere. This is both procedurally and substantively defective.

Citing Black's Law Dictionary for the proposition that it renders Appellant's claimed invention, including elements comprising unique terms and conditions, obvious is analogous to citing the Periodic Table of Elements for the proposition that the Periodic Table renders a new molecule or composition of matter obvious, a preposterous, if not gratuitous proposition. Even if the Examiner's rejection were permissible the courts have given a fair amount of guidance as to what constitutes a permissible rejection:

"[i]t is impermissible within the framework of 35 U.S.C. 103 to pick and choose from any one reference only so much of it as will support a given position to the exclusion of other parts necessary to the full appreciation of what such reference fairly suggests to one skilled in the art." Bausch & Lomb, Inc. v. Barnes-Hind Hydrocurve, Inc., 230 U.S.P.Q.2d 416 (Fed. Cir. 1986).

also

"It is impermissible to use the claims as a frame and the prior art references as a mosaic to piece together a facsimile of the claimed invention." Uniroyal Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 5 U.S.P.Q.2d 1434, 1438 (Fed. Cir. 1988).

The Examiner is in error and should be reversed by the Honorable Board of Appeals.

The Examiner has rejected Appellant's claims under the provisions of 35 U.S.C. §112. In making these rejections the Examiner has confused the licensing (or transfer) of intellectual property rights with Appellant's claimed property transfer where intellectual property rights are NOT licensed. Simply because the Examiner is confused does not justify a section 112 rejection. Further, the Examiner has rejected the claims for lack of enablement. By the very language in Appellant's specification and quoted herein, the claims satisfy the enablement requirement.

"The enablement requirement is met if the description enables any mode of making and using the claimed invention. Engel Indus., Inc. v. Lockformer Co., 946 F.2d 1528, 1531 (Fed. Cir. 1991) cited in CFMT, Inc. v. YieldUp Intern, Corp. 349 F.3d 1333, 1338, rehearing denied 68 U.S.P.Q.2d 1940 (Fed Cir. 2003)

The Examiner is in error and should be reversed by the Honorable Board of Appeals.

Appellant has demonstrated the clear and plain error of each every rejection made by the Examiner.

"If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent. See *In re Grabiak*, 769 F.2d 729, 733, 226 USPQ 870, 873 (Fed. Cir. 1985); *In re Rinehart, supra*." *In re Oetiker*, 24 U.S.P.Q.2D 1443, 1444 (Fed. Cir. 1992)

Appellant therefore respectfully requests the Honorable Board of Appeals to reverse each and every rejection of the Examiner regarding claims 1 and 3 - 28, all the claims currently on appeal.

Respectfully submitted:

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October 18, 2005

KSW/ksw

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CLAIMS APPENDIX

The claims standing on appeal are:

1. (previously presented) A method of doing business comprising the transfer of goods owned by a licensor from said licensor to a licensee wherein the goods are claimed in one or more patents owned by licensor and wherein rights in the goods are transferred by means of a license having terms said rights in the goods comprising intellectual property rights wherein the terms of the license reserve some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license.
2. (canceled)
3. (previously presented) The method of claim 1 wherein the license is assigned by the licensee to a first assignee.
4. (previously presented) The method of claim 3 wherein the license is further assigned by the first assignee to a second assignee.
5. (previously presented) The method of claim 4 wherein the license is further assigned by the first assignee to a second assignee.
6. (original) The method of claim 5 wherein the goods are claimed in one patent.
7. (previously presented) The method of claim 6 wherein the license is assigned by the licensee to a first assignee.

8. (previously presented) The method of claim 7 wherein the license is further assigned by the first assignee to a second assignee.
9. (previously presented) The method of claim 1 wherein the goods are claimed in one patent.
10. (previously presented) The method of claim 9 wherein the license is assigned by the licensee to a first assignee.
11. (previously presented) The method of claim 10 wherein the license is further assigned by the first assignee to a second assignee.
12. (previously presented) The method of claim 1 wherein the term of the instrument expires prior to or concurrently with the term of the patents.
13. (previously presented) A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument.

14. (previously presented) The method of claim 13 wherein the goods are the subject of one or more claims of one patent.
15. (original) The method of claim 14 wherein the instrument is a license.
16. (previously presented) The method of claim 15 wherein the license is assigned.
17. (original) The method of claim 14 wherein the instrument is a contract.
18. (previously presented) The method of claim 17 wherein the contract is assigned.
19. (original) The method of claim 14 wherein the instrument is a lease.
20. (previously presented) The method of claim 19 wherein the lease is assigned.
21. (previously presented) The method of claim 16 wherein the license is further assigned.
22. (previously presented) The method of claim 18 wherein the contract is further assigned.
23. (previously presented) The method of claim 20 wherein the lease is further assigned.
24. (original) The method of claim 14 wherein the term of the instrument expires prior to or concurrently with the term of the patents.

25. (previously presented) A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses said instrument having terms said rights in the goods comprising intellectual property rights wherein the terms of the instrument and all intervening instruments reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee or sub-transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument wherein the last transfer is a transfer of goods at retail.
26. (previously presented) A method of doing business comprising the transfer of goods owned by a licensor from said licensor to a licensee wherein the goods are claimed in one or more patents owned by licensor and wherein by the terms of the license rights in the goods are transferred by means of a license having terms said rights in the goods comprising intellectual property rights wherein the terms of the license reserves some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license wherein said license further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by lessee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to lessor.

27. (previously presented) A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein by the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument wherein said instrument further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to transferor.
28. (previously presented) A method of doing business comprising the transfer of goods owned by a transferor from said transferor to a transferee wherein the goods are claimed in one or more patents owned by transferor and wherein rights in the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses, said instrument having terms said rights in the goods comprising intellectual property rights wherein by the terms of the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the lessor wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of

the lease wherein the last transfer is a transfer of goods at retail wherein said instrument further comprises a unilateral contract formation provision wherein in consideration of using the goods to develop new intellectual property said use shall be an acceptance by performance by transferee of a contract for joint development of said new intellectual property wherein an undivided interest in said new intellectual property is assigned to lessor.

EVIDENCE APPENDIX

No evidence is submitted with this Brief on Appeal

RELATED PROCEEDINGS APPENDIX

INTERNATIONAL PRELIMINARY EXAMINATION REPORT

PCT/US02/04589

M

PATENT COOPERATION TREATY

From the
INTERNATIONAL PRELIMINARY EXAMINING AUTHORITY

To:
KENNETH S. WHEELOCK
25 JULIANA DRIVE
PITTSFIELD, MA 01201

PCT

**NOTIFICATION OF TRANSMITTAL OF
INTERNATIONAL PRELIMINARY
EXAMINATION REPORT**

(PCT Rule 71.1)

Date of Mailing
(day/month/year)

24 FEB 2005

Applicant's or agent's file reference KSWPROSE002		IMPORTANT NOTIFICATION	
International application No.	International filing date (day/month/year)		Priority date (day/month/year)
PCT/US02/04589	04 February 2002 (04.02.2002)		05 February 2001 (05.02.2001)
Applicant KENNETH S. WHEELOCK			

1. The applicant is hereby notified that this International Preliminary Examining Authority transmits herewith the international preliminary examination report and its annexes, if any, established on the international application.
2. A copy of the report and its annexes, if any, is being transmitted to the International Bureau for communication to all the elected Offices.
3. Where required by any of the elected Offices, the International Bureau will prepare an English translation of the report (but not of any annexes) and will transmit such translation to those Offices.
4. **REMINDER**

The applicant must enter the national phase before each elected Office by performing certain acts (filing translations and paying national fees) within 30 months from the priority date (or later in some Offices)(Article 39(1))(see also the reminder sent by the International Bureau with Form PCT/IB/301).

Where a translation of the international application must be furnished to an elected Office, that translation must contain a translation of any annexes to the international preliminary examination report. It is the applicant's responsibility to prepare and furnish such translation directly to each elected Office concerned.

For further details on the applicable time limits and requirements of the elected Offices, see Volume II of the PCT Applicant's Guide.

Name and mailing address of the IPEA/US Mail Stop PCT, Attn: IPEA/US Commissioner for Patents P.O. Box 1450 Alexandria, Virginia 22313-1450 Facsimile No. (703) 305-3230	Authorized officer John Weiss <i>John Weiss</i> Telephone No. 703-308-1113
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Form PCT/IPEA/416 (July 1992)

PATENT COOPERATION TREATY

PCT

INTERNATIONAL PRELIMINARY EXAMINATION REPORT

(PCT Article 36 and Rule 70)

Applicant's or agent's file reference KSWPROSE002	FOR FURTHER ACTION See Notification of Transmittal of International Preliminary Examination Report (Form PCT/IPEA/416)	
International application No. PCT/US02/04589	International filing date (day/month/year) 04 February 2002 (04.02.2002)	Priority date (day/month/year) 05 February 2001 (05.02.2001)
International Patent Classification (IPC) or national classification and IPC IPC(7): G 06 F 17/60 and US Cl.: 705/1, 59, 713/200, 707/9		
Applicant KENNETH S. WHEELOCK		

<ol style="list-style-type: none"> 1. This international preliminary examination report has been prepared by this International Preliminary Examining Authority and is transmitted to the applicant according to Article 36. 2. This REPORT consists of a total of <u>3</u> sheets, including this cover sheet: <p><input type="checkbox"/> This report is also accompanied by ANNEXES, i.e., sheets of the description, claims and/or drawings which have been amended and are the basis for this report and/or sheets containing rectifications made before this Authority (see Rule 70.16 and Section 607 of the Administrative Instructions under the PCT).</p> <p>These annexes consist of a total of ___ sheets.</p> 3. This report contains indications relating to the following items: <ul style="list-style-type: none"> I <input checked="" type="checkbox"/> Basis of the report II <input type="checkbox"/> Priority III <input type="checkbox"/> Non-establishment of report with regard to novelty, inventive step and industrial applicability IV <input type="checkbox"/> Lack of unity of invention V <input checked="" type="checkbox"/> Reasoned statement under Article 35(2) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement VI <input type="checkbox"/> Certain documents cited VII <input type="checkbox"/> Certain defects in the international application VIII <input type="checkbox"/> Certain observations on the international application
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Date of submission of the demand 30 August 2002 (30.08.2002)	Date of completion of this report 08 July 2004 (08.07.2004)
Name and mailing address of the IPEA/US Mail Stop PCT, Attn: IPEA/US Commissioner for Patents P.O. Box 1450 Alexandria, Virginia 22313-1450 Facsimile No. (703) 305-3230	Authorized officer John Weiss <i>Brody for</i> Telephone No. 703-308-1113

Form PCT/IPEA/409 (cover sheet)(July 1998)

I. Basis of the report

1. With regard to the elements of the international application:*

 the international application as originally filed. the description:

pages 1-17 as originally filed

pages NONE, filed with the demandpages NONE, filed with the letter of _____ the claims:

pages 18-20 as originally filed

pages NONE, as amended (together with any statement) under Article 19pages NONE, filed with the demandpages NONE, filed with the letter of _____ the drawings:

pages 0 as originally filed

pages NONE, filed with the demandpages NONE, filed with the letter of _____ the sequence listing part of the description:pages NONE as originally filedpages NONE, filed with the demandpages NONE, filed with the letter of _____

2. With regard to the language, all the elements marked above were available or furnished to this Authority in the language in which the international application was filed, unless otherwise indicated under this item.

These elements were available or furnished to this Authority in the following language _____ which is:

 the language of a translation furnished for the purposes of international search (under Rule 23.1(b)). the language of publication of the international application (under Rule 48.3(b)). the language of the translation furnished for the purposes of international preliminary examination (under Rules 55.2 and/or 55.3).

3. With regard to any nucleotide and/or amino acid sequence disclosed in the international application, the international preliminary examination was carried out on the basis of the sequence listing:

 contained in the international application in printed form. filed together with the international application in computer readable form. furnished subsequently to this Authority in written form. furnished subsequently to this Authority in computer readable form. The statement that the subsequently furnished written sequence listing does not go beyond the disclosure in the international application as filed has been furnished. The statement that the information recorded in computer readable form is identical to the written sequence listing has been furnished.4. The amendments have resulted in the cancellation of: the description, pages NONE the claims, Nos. NONE the drawings, sheets/fig NONE5. This report has been established as if (some of) the amendments had not been made, since they have been considered to go beyond the disclosure as filed, as indicated in the Supplemental Box (Rule 70.2(c)).**

* Replacement sheets which have been furnished to the receiving Office in response to an invitation under Article 14 are referred to in this report as "originally filed" and are not annexed to this report since they do not contain amendments (Rules 70.16 and 70.17).

** Any replacement sheet containing such amendments must be referred to under item 1 and annexed to this report.

V. Reasoned statement under Rule 66.2(a)(ii) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement

1. STATEMENT

Novelty (N) Claims 1-25 YES
Claims NONE NO

Inventive Step (IS) Claims 1-25 **YES**
Claims NONE **NO**

Industrial Applicability (IA) **Claims** 1-25 **YES**
Claims NONE **NO**

2. CITATIONS AND EXPLANATIONS

Claims 1-25 have the criteria set out in PCT Article 33(2)-(3), because the prior art does not teach or fairly suggest the offering the transfer of patented subject matter while prohibiting the transfer of the patented subject matter in any fashion that develops, generates or invents new intellectual property..

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